



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 724** SLS 10RS 1401

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|--------------------------------------|----------|-------------------------------|
| Date: May 21, 2010 | 12:35 PM | Author: GAUTREAUX, N. |
| Dept./Agy.: Natural Resources | | |
| Subject: 16th Section Lands | | Analyst: Greg Albrecht |

LANDS/WATERBOTTOM

RE -\$27,108 GF RV See Note

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Provides relative to the income beneficiary of certain revenues generated on certain state-owned water bottoms. (8/15/10)

Current law transfers ownership of 16th section lands to the State when such lands become part of the bed or body of navigable water. Revenues generated from such former lands shall be credited to the account of the current school fund of the parish having an interest in the 16th section or indemnity school lands. If the former lands are covered by an existing oil & gas lease granted by the state, all proceeds from production generated after July 1, 2007 shall be credited to the account of the current school fund of the parish having an interest in the 16th section or indemnity school lands.

Proposed law grants all proceeds from production generated after July 1, 2007 to the account of the current school fund of the parish where the 16th section lands are located even if the 16th section lands are comprised entirely of state-owned waterbottoms and no school indemnity lands were provided from such 16th section land. The proceeds attributable to fiscal years 2007-2008, 2008-2009, and 2009-2010 are subject to appropriation, while the proceeds attributable to fiscal year 2010-2011 and subsequent years are credited to the local account. Retroactive to July 1, 2007.

| EXPENDITURES | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 5 -YEAR TOTAL |
|----------------|------------------|------------|------------|------------|------------|-------------------|
| State Gen. Fd. | \$233,113 | \$0 | \$0 | \$0 | \$0 | \$233,113 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | \$233,113 | \$0 | \$0 | \$0 | \$0 | \$233,113 |

| REVENUES | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 5 -YEAR TOTAL |
|----------------|------------|------------|------------|------------|------------|--------------------|
| State Gen. Fd. | (\$27,108) | (\$23,042) | (\$19,585) | (\$16,647) | (\$14,150) | (\$100,532) |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$27,108 | \$23,042 | \$19,585 | \$16,647 | \$14,150 | \$100,532 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

The bill contemplates appropriation of funds specifically for the proceeds attributable to fiscal years 2007-2008, 2008-2009, and 2009-2010. This intent is depicted in the table above. However, there is no appropriation for this purpose contained in HB 1 Original, the general appropriation bill for FY11, and until such an appropriation is made there can no expenditure of funds.

REVENUE EXPLANATION

Beginning with FY11, the bill essentially dedicates what is currently state royalty revenue to the Vermillion Parish current school fund. Thus, the fiscal note table above depicts state general fund revenue losses and a like amount of dedicated fund gains. According to the Department of Natural Resources, the bill is targeting state waterbottoms of White Lake in Vermillion Parish. State royalty revenue from an oil and gas lease on this particular portion of waterbottom amounted to \$219,823 from July 1, 2007 through January 2010, and will be approximately \$13,290 from February 2010 through June 2010. The annual revenue dedication to the Parish school fund is estimated at \$27,108 in FY11, \$23,042 in FY12, \$19,585 in FY13, \$16,647 in FY14, and \$14,150 in FY15. The estimates for FY10 - FY15 are based only on gas production since no oil has been produced since about mid-2009, and a 15% annual production decline rate is utilized.

These state general fund revenue losses and dedication gains will occur starting with FY11 without the requirement of an appropriation. These amounts will essentially be allocated to the local school account prior to deposit in the state’s accounts.

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| Senate | Dual Referral Rules | House | |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost | | <input checked="" type="checkbox"/> 6.8(F) >= \$100,000 Annual SGF Cost | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease | H. Gordon Monk Legislative Fiscal Officer |